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SUBJECT: MEXICO ECONOMIC NOTES, FEBRUARY 16 - FEBRUARY 23

Summary

11. (SBU) The Chamber of Deputies approved a bill that provides for up to 40 years in prison for those convicted of financing terrorist activities. President Calderon tried to address criticism of the January 2008 final opening of the agricultural market under NAFTA by extending and expanding farm subsidies. Secretary of Economy Eduardo Sojo reported that foreign direct investment in Mexico dropped 3.6 percent from 2005 to 2006. Felipe Munoz, who worked with the USG as chief of Mexican Attorney General's specialized unit for investigation of IPR crimes, was promoted to Deputy Prosecutor General for Federal Crimes. Telecom regulator Cofetel announced that it would not support creation of a third national broadcasting network by auctioning regional frequencies as a package. The North American Development Bank has announced a USD 8.9 million loan to the city of Nogales. DaimlerChrysler representatives told emboffs that Mexico would gain from auto industry restructuring. The Governor of Coahuila accused Former President Fox of urging him to accuse a controversial labor leader of responsibility for workers in 2005's Pasta de Conchos mine disaster.

Criminalizing Terrorism Financing

12. (U) The Chamber of Deputies on February 20, 2007 approved a bill that provides for up to 40 years in prison for those convicted of financing terrorist activities. If passed, the law would establish the crimes of "terrorism financing" and "international terrorism." Mexico currently does not have a specific law criminalizing financing and support of terrorists and terrorist organizations. The draft law would enable the Attorney General's Office (PGR) to provide information to federal government authorities for investigations. It also would authorize prosecutors to track and obtain information from finance and tax authorities on suspicious transactions. The bill now goes to the Senate,

which approved a similar proposal during last year's session.
(See septel).

Calderon Extends Farm Subsidies

13. (SBU) Facing increasing political opposition to the January 2008 final opening of the agricultural market under the North American Free Trade Agreement (NAFTA), President Calderon announced that the program of subsidies for Mexican farmers (PROCAMPO) will be extended and expanded. The program had been set to expire in 2008. Calderon's government also announced its plan for using the almost USD 700 million that the Mexican Congress approved for supporting the corn, bean, sugar, and milk sectors (the four sectors that will be fully opened to U.S. and Canadian imports next January 1). Roughly USD 500 million will go to promoting domestic production of those crops, and another USD 200 million will beef up Mexico's shared risk fund for agriculture. (See septel.)

FDI Down in 2006

14. (U) Economy Secretary Sojo announced that Mexico received USD 18.9 billion in foreign direct investment (FDI) during 2006, a 3.6% drop from 2005's USD 19.6 billion. Sojo attributed the decrease to insecurity brought about by election-related protests that plagued the country. Nevertheless, the USD 18.9 billion figure is likely to be readjusted as companies continue reporting 2006 investments. Even with the delayed reports, FDI for 2006 is not expected to end above the Mexican government's goal of USD 20 billion, but may come closer to 2005 investments.

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New Deputy Prosecutor for IPR

15. (U) The Attorney General's Office (PGR) finally filled its last Deputy Prosecutor General slot. Felipe Munoz, who had previously been the chief of PGR's specialized unit for investigation of IPR crimes, is the new Deputy Prosecutor General for Federal Crimes. In this capacity, he will supervise not only his old IPR unit, but also the PGR units responsible for investigating tax evasion, financial crimes, environmental crimes, and crimes committed by government officials. (See septel on upcoming meetings with Munoz and Gonzalez.)

Cofetel: No National Network Frequency Auction

16. (SBU) Mexico's telecommunications regulator Cofetel announced February 22 that an upcoming auction would not include auctioning regional frequencies as a package, which would have facilitated creation of a third national broadcasting network. Cofetel Chairman Hector Osuna noted that companies that currently hold radio and television frequencies will not be permitted to participate in the upcoming auction; although, participants purchasing separate regional frequencies could form a national network through joint-ventures. Commissioner Eduardo Ruiz Vega added that Cofetel opted not to auction regional frequencies as a package in order to avoid creating a national network under foreign control. Osuna meets next week with FCC Commissioner McDowell.

NADBank Announces Loan

17. (U) The North American Development Bank has announced that the city of Nogales in the Mexican state of Sonora would receive a loan of USD 8.5 million to help finance an air quality project to improve street paving and traffic flows. Currently in Nogales, 250 kilometers of its 385 kilometers of

streets are not paved. The Border Environment Cooperation Commission (BECC) certified this project on July 30, 2004.

DaimlerChrysler: Mexico Benefits from Detroit Downsizing

18. (SBU) Luis Gomez Suarez, Director of Governmental Relations at DaimlerChrysler, told Econ and Commercial Officers that Mexico could benefit greatly from the restructuring being done by the Big Three auto makers. He said that DaimlerChrysler wants to increase its sourcing outside of North America, and moving to Mexico would be of greater benefit than moves to South America or Asia. He mentioned the possibility of having President Calderon visit Detroit to promote Mexico as promising location for increased investment.

Governor Accuses Fox Over Mine Disaster

19. (SBU) During a February 18 national radio interview, Humberto Moreira, the PRI Governor of Coahuila, accused former President Vicente Fox of pressing him in 2006 to falsely accuse a controversial labor leader of responsibility for workers in a mining accident. According to the Governor, PAN President Fox not only wanted him to accuse the labor leader but to arrest him as well. Moreira says he refused the President's request; however, it appears he said nothing about the presidential pressure for an entire year. In commenting on the Moreira's accusations, a senior official in the national office of the CTM labor confederation remarked

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that the Governor's allegations are impossible to prove. That said, the CTM official averred, allegations do underscore the fact that very few people in Mexico are willing to seriously take on a sitting president.

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